



Dave Yost • Auditor of State

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY
NOVEMBER 30, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cuyahoga County Agricultural Society
Cuyahoga County
164 Eastland Road
Berea, Ohio 44017

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements and related notes of the Cuyahoga County Agricultural Society, Cuyahoga County, Ohio (the Society) as of and for the years ended November 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Cuyahoga County Agricultural Society, Cuyahoga County as of November 30, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 15, 2018

Cuyahoga County Agricultural Society
Cuyahoga County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2016

	2016
Operating Receipts	
Admissions	\$ 151,800
Privilege Fees	185,475
Rentals	824,822
Sustaining and Entry Fees	96,886
Pari-mutuel Wagering Commission	700
Other Operating Receipts	50,327
<i>Total Operating Receipts</i>	<i>1,310,010</i>
Operating Disbursements	
Wages and Benefits	464,132
Utilities	147,419
Professional Services	289,448
Equipment and Grounds Maintenance	164,535
Race Purse	90,772
Senior Fair	16,097
Junior Fair	10,463
Capital Outlay	114,197
Other Operating Disbursements	301,803
<i>Total Operating Disbursements</i>	<i>1,598,866</i>
<i>Excess (Deficiency) of Operating Receipts</i>	<i>(288,856)</i>
Non-Operating Receipts (Disbursements)	
State Support	23,661
County Support	3,300
Donations/Contributions	14,268
Investment Income	3,746
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>44,975</i>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<i>(243,881)</i>
Cash Balance, Beginning of Year	560,283
<i>Cash Balance, End of Year</i>	<i>\$ 316,402</i>

The notes to the financial statement are an integral part of this statement.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 1 – Reporting Entity

The Cuyahoga County Agricultural Society (the Society), Cuyahoga County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1896 to operate an annual agricultural fair. The Society sponsors the week – long Cuyahoga County Fair during August. During the fair, harness races are held, culminating in the running of the Cuyahoga County Stake Races. Cuyahoga County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fourteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Cuyahoga County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including a weekly flea market. The reporting entity does not include any other activities or entities of Cuyahoga County, Ohio.

The Junior Fair Board and Junior Livestock Sales Committee’s financial activity are reported in the Society’s financial statements.

The Society’s management believes these financial statements present all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Years Ended November 30, 2016

Deposits and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b) (1) (A) (v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

Race Purse

Cuyahoga County stake races are held during the Cuyahoga County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees Horse owners and Ohio Fair Racing Conference Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wages after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 4 for additional information.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 3 – Deposits and Investments

The Society maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was as follows:

	2016
Demand deposits	\$316,402
Total deposits	\$316,402

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Society.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2016 was \$23,661, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2016
Total Amount Bet (Handle)	\$ 8,045
Less: Payoff to Bettors	(6,386)
Parimutuel Wagering Commission	1,659
Tote Service Set Up Fee	(500)
Tote Service Commission	(549)
State Tax	(255)
Society Portion	\$ 355

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Years Ended November 30, 2016

Note 5 – Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through November 2018.

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Cuyahoga County Commissioners provide general insurance coverage for all the buildings on the Cuyahoga County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2 million and \$5 million aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$20,000. The Society's general manager is bonded with coverage of \$20,000.

The Society paid \$60,000 for losses that exceeded insurance coverage.

There have been no significant changes in coverage from the prior year.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2016.

Note 7 – Debt

Debt outstanding at November 30, 2016, was as follows:

	<u>Principal</u>
Mower Lease	\$5,328
Tractor Lease	12,382
Tow Motor Lease	<u>13,290</u>
Total	<u><u>\$31,000</u></u>

The Society entered into various leases with Deere Corporation, LeaseDirect, and CNHI Industrial Corporation for a mower, tractor and tow motor. The leases were entered into on July 1, 2013 and mature June 30, 2018.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Amortization of the above debt is scheduled as follows:

Year Ending November 30:	<u>Mower Lease</u>	<u>Tractor Lease</u>	<u>Tow Motor Lease</u>	<u>Total</u>
2017	\$2,664	\$6,645	\$6,191	\$15,500
2018	2,664	6,645	6,191	15,500
	<u>\$5,328</u>	<u>\$13,290</u>	<u>\$12,382</u>	<u>\$31,000</u>

Cuyahoga County Agricultural Society
Cuyahoga County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2015

	2015
Operating Receipts	
Admissions	\$ 354,723
Privilege Fees	235,718
Rentals	751,199
Pari-mutuel Wagering Commission	869
Sustaining and Entry Fees	20,672
Other Operating Receipts	124,387
<i>Total Operating Receipts</i>	1,487,568
Operating Disbursements	
Wages and Benefits	436,245
Utilities	156,964
Professional Services	295,462
Equipment and Grounds Maintenance	244,513
Race Purse	64,504
Senior Fair	32,054
Junior Fair	22,713
Capital Outlay	17,451
Other Operating Disbursements	266,265
<i>Total Operating Disbursements</i>	1,536,171
<i>Excess (Deficiency) of Operating Receipts</i>	(48,603)
Non-Operating Receipts (Disbursements)	
State Support	55,363
Donations/Contributions	61,748
Investment Income	6,107
<i>Net Non-Operating Receipts (Disbursements)</i>	123,218
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	74,615
Cash Balance, Beginning of Year	485,668
<i>Cash Balance, End of Year</i>	\$ 560,283

The notes to the financial statement are an integral part of this statement.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 1 – Reporting Entity

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The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

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These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Years Ended November 30, 2015

Deposits and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b) (1) (A) (v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

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Pari-mutuel Wagering

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Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 4 for additional information.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 3 – Deposits and Investments

The Society maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was as follows:

	2015
Demand deposits	\$560,283
Total deposits	\$560,283

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Society.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2015 was \$55,363, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2015
Total Amount Bet (Handle)	\$ 7,760
Less: Payoff to Bettors	(6,140)
Parimutuel Wagering Commission	1,620
Tote Service Set Up Fee	(500)
Tote Service Commission	(521)
State Tax	(251)
Society Portion	\$ 348

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Years Ended November 30, 2015

Note 5 – Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through November 2018.

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Cuyahoga County is self-insured for all the buildings on the Cuyahoga County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2 million and \$5 million aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$20,000.

The Society paid \$60,000 for losses that exceeded insurance coverage.

There have been no significant changes in coverage from the prior year.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2016.

Note 7 – Debt

Debt outstanding at November 30, 2015, was as follows:

	<u>Principal</u>
Mower Lease	\$7,992
Tractor Lease	18,573
Tow Motor Lease	<u>19,935</u>
Total	<u>\$46,500</u>

The Society entered into various leases with Deere Corporation, LeaseDirect, and CNHI Industrial Corporation for a mower, tractor and tow motor. The leases were entered into on July 1, 2013 and mature June 30, 2018.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2015

Amortization of the above debt is scheduled as follows:

Year Ending November 30:	Mower Lease	Tractor Lease	Tow Motor Lease	Total
2016	\$2,664	\$6,191	\$6,645	\$15,500
2017	2,664	6,191	6,645	15,500
2018	2,664	6,191	6,645	15,500
	<u>\$7,992</u>	<u>\$18,573</u>	<u>\$19,935</u>	<u>\$46,500</u>



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Cuyahoga County Agricultural Society
Cuyahoga County
164 Eastland Road
Berea, Ohio 44017

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Cuyahoga County Agricultural Society, Cuyahoga County, (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 15, 2018, wherein we noted the Society followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiency resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Agricultural Society's financial statements. We consider findings 2016-001 and 2016-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Society's Response to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looped "Y" and a long, sweeping underline.

Dave Yost
Auditor of State
Columbus, Ohio

May 15, 2018

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Financial Reporting

<i>Finding Number</i>	2016-001
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following accounting deficiencies were noted and subsequent adjustments made by management to the financial statements and, where applicable, to the Society's accounting records:

- 2015 Beginning Cash balance was \$23,042 more than the ending 2014 statement cash;
- Other operating receipts in 2016 and 2015 were overstated by \$105,133 and \$127,498, respectively due to the misclassification of State Support, County Support, Interest Income, Donations and Gifts, and Entry and Sustaining Fees;
- The pari-mutuel wagering commission footnote for 2016 and 2015 were not completed within the filing;
- Total revenues in the 2015 statements were \$10,188 more than the amount reported in the trial balance and general ledger;
- Total expenses in the 2015 statements was \$7,922 more than the trial balance and general ledger;
- Other operating expenses in the 2016 and 2015 statements was overstated by \$242,465 and \$65,069 due to the misclassification of benefits, professional services, and grounds maintenance;
- Total revenues in the 2016 statements were \$12,289 less than the trial balance and general ledger;
- Total expenses in the 2016 statements were \$4,929 less than the trial balance and general ledger; and
- Wages and benefits in the 2016 statements was \$7,972 more than the trial balance and general ledger.

Lack of review of statement amounts and failure to agree amounts directly to general ledger and trial balance totals can lead to the financial statements being materially misstated and potential fraud and noncompliance with Ohio Revised Code Sections.

We recommend the fiscal officer maintain a trial balance at end of year that lists the accounts grouped together and ties that trial balance to the amounts reported on the financial statements for accuracy and completeness. Additionally management should review financial statements to help ensure errors are detected and corrected.

Official's Response:

The Society is in the process of implementing procedures and controls to address these issues. The Society has hired an independent accounting firm to come in and reconcile cash and clear up any accounting entries.

2. Developing and Implementing an Effective Monitoring Control System

<i>Finding Number</i>	2016-002
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MATERIAL WEAKNESS

Monitoring is comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring practices include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review and identification of large or unusual fluctuations and prompt resolution of any items noted;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non-payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

Although the Secretary prepared monthly financial reports for the Board at each meeting, the Society failed to perform adequate monitoring over financial activities. The lack of effective monitoring could lead to the misappropriation or misstatement of Society funds, expenditure of funds contrary to the directives of the Board, and non-compliance with federal or state laws and regulations. This deficiency could also result in a loss of funding from various sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations and financial statements.

We recommend the Board review the monthly financial reports they receive at their meetings and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that any reports required by the grantor agencies, per the terms of the grant agreements, are completed accurately and filed with the respective grantor agencies in a timely manner. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

Official's Response:

The Society is in the process of implementing procedures and controls to address these issues. The Society has hired an independent accounting firm to come in and reconcile cash and clear up any accounting entries.

3. Bank Reconciliation Procedures

<i>Finding Number</i>	2016-003
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SIGNIFICANT DEFICIENCY

Reconciling the Society's cash accounts with its ledgers, including fund balance, is a critical control procedure to ensure cash is adequately safeguarded, and to provide accurate financial information.

We were able to confirm cash amounts through the bank with insignificant differences but noted the following discrepancies when reviewing the bank reconciliations:

- The 2015 ending cash balance reported on the statements was \$2,477 more than the bank reconciliation and cash reported in the trial balance was \$13,364 less than the reconciliation, with no explanation given for the variance;
- We could not determine if nine checks totaling \$889 on the November 30, 2015 bank reconciliation had properly cleared the bank due to the Society not providing all monthly bank reconciliations;
- The 2016 ending cash balance was \$3,566 under the amount reported on the November 30, 2016 bank reconciliation, with no explanation given for the variance;
- The business checking account ending in 2274, premium money market account ending in 6704, and business premium money market account ending in 1311 were not included in the monthly cash reconciliations performed. The business checking account was also not reported in the general ledger, resulting in variances at November 30, 2016 and 2015 of \$2,858 and \$1,791, respectively;
- The Society could not provide April through July 2016 bank reconciliations.

Not properly reconciling bank amounts to accounting ledgers can lead to inaccurate amounts being reported on the statements. Also, not performing proper reconciliations can lead to errors and discrepancies not being timely discovered and corrected.

We recommend the Society timely prepare monthly bank reconciliations that include all bank accounts and investigate any discrepancies. We also recommend all reconciliations be maintained and all bank accounts be recorded within the Society's accounting ledgers.

Official's Response:

The Society is in the process of implementing procedures and controls to address these issues. The Society has hired an independent accounting firm to come in and reconcile cash and clear up any accounting entries.

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Cuyahoga County Agricultural Society

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NOVEMBER 30, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Accounting records were insufficient for receipts collected, reconciliations were not done timely and were incomplete, financial reports were inaccurate and not mathematically correct.	Not Corrected	The Society is in the process of implementing procedures and controls to address these issues. The Society has hired an independent accounting firm to come in and reconcile the cash and clear up any accounting entries
2014-002	Society lacked proper oversight over accounting transactions.	Not Corrected	The Society is in the process of implementing procedures and controls to address these issues. The Society has hired an independent accounting firm to come in and reconcile the cash and clear up any accounting entries

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Dave Yost • Auditor of State

CUYAHOGA COUNTY AGRICULTURAL SOCIETY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 31, 2018